

Hon. Martin Glenn  
Chief Bankruptcy Judge  
US Bankruptcy Court  
Southern District of New York Court

Aug. 11, 2023

Re: Celsius Network LLC (Case 22-10964 (MG))

Dear Judge Glenn,

Thank you for the opportunity to comment about confusion over the disclosure statement.

I don't understand the mining business valuation, why this is relevant, and why it generates a taxable event. As I read the disclosure agreement, Celsius creditors are contributing liquid assets (crypto and cash), illiquid assets (defi/investments), and mining equipment to Newco in return for shares of Newco. This is not a taxable transaction. We are not "buying" a business (taxable), we are setting one up (non taxable)..

Newco's balance sheet on the Effective Date would look like this:

Liquid assets	\$450 mio	Shareholder Equity	\$821 mio
PP&E	88 mio		
L/T investments	283 mio		
Total assets	\$821 mio	Total Liab/Equity	\$821 mio

I believe my view that the Newco transaction is a capital one versus a taxable exchange is supported by the following statement extracted from pg. 21 of 781 of Doc. 3117 filed 7/29/2023.

"Fahrenheit will form NewCo prior to the Effective Date. On the Effective Date, NewCo will be vested with the NewCo Assets (including the mining business, institutional loan portfolio, and other alternative investments), which Fahrenheit will manage for the benefit of NewCo's stakeholders. As equity owners of NewCo, the value of Fahrenheit's efforts will ultimately be realized by the Debtors' Account Holders."

A "mining business" as a going concern does not exist, which is why we are recapitalizing it with \$450 mio in Newco. We are contributing the used equipment which Newco is going to try to turn into a viable business using the contributed crypto. If Newco didn't have the \$450 mio behind the mining equipment, no one would agree to install our machines and the business would be dead. The valuation of the mining business is useful perhaps as a post-recapitalization value to show other creditors that the unsecured creditors are not making a windfall.

If I were setting up this business at home, it would be recorded in my LLC as per above. I wouldn't go to the IRS and say I believe the future value of my mining business is \$565 and I'd like to report that future income now and pay taxes on it.

The mining business valuation is confusing and irrelevant and should be excluded from the disclosure statement. We are contributing \$821 mio to Newco and that determines the value of the equity we receive. As such, the Disclosure Statement would be revised as follows:

	Newco Plan (Should Be)	Newco Plan (Currently)*
Liquid Crypto Avail	\$1,583 mio	\$1,583 mio
Contrib to Newco		
Liquid Crypto	450 mio	450 mio
Illiquid Crypto	283 mio	283 mio
Mining Equip	88 mio	565 mio
Subtotal Newco	\$ 821 mio	\$1,298 mio
Total Avail for Unsecured	\$2,404 mio	\$2,881 mio
Total Unsecured Claim	\$4,207 mio	\$4,207 mio
Percent Recovered	57%	68%

\*(Source: Pg 27 of 781 of Doc 3117 recorded 7/29/2023)

I ask Your Honor to consider my points that the correct reflection of the Newco transaction is as a capital contribution of assets, with the mining assets being reflected at net recoverable value as the business is not operational without investment of significant amounts of capital, and that the disclosure statement and unsecured claim recovery be adjusted accordingly. Of course it will be disappointing to unsecured creditors that their recovery is lower, however if the plan succeeds, perhaps in the future the value will increase. This, however, is some years out and not at all certain.

Lastly, I would like to thank Your Honor for your expertise in handling this very, very messy case. We were lucky to get one of the best bankruptcy judges in the country, and I'm sure that lessons learned in this case will influence the regulation and development of the cryptocurrency industry for many years to come. And a shout out to your staff, working long hours and handling volumes of paperwork in the background to help shepherd this case through.

Best regards,

Ann Sexton  
Celsius Earn Customer  
(address redacted)